



Date: April 8, 2025

Honorable Mayor and Council Members:

Author and title: David Tirman and Adam Petersen, Senior Planners

Title: **Edmunds Lofts Workforce Housing Public-Private Partnership: Preliminary Design and Workforce Housing Development and Disposition Agreement (CIP C2013)**

Jen Callaway, Town Manager

Recommended Action: That Council review and provide direction to staff on the preliminary project design concept for a 12-unit workforce housing project, "Edmunds Lofts," as a planned development and authorize the Town Manager to enter into a Development and Disposition Agreement ("DDA") with Paradigm8 ("P|8") / Sagemodern outlining the specific terms and conditions of a partnership with the Town for the construction of deed-restricted affordable workforce housing.

Discussion:

Introduction

When High Altitude Fitness granted land to the Town to meet their workforce housing requirements, the Town was gifted an opportunity to try something new. The vacant in-fill site located in the hub of the gateway area corridor is walkable to schools, Meadow Park, and services and is an ideal location for new housing. Council recognized the unique opportunity of building on Town-owned land and approved CIP 2013 to foster new approaches to creating affordable/workforce housing, including development of this site. Council furthered their commitment to trying a new approach by directing staff to circulate a Request for Interest & Qualifications ("RFIQ") for the Edmunds Lofts (formerly called the "High Altitude Fitness Housing") project site (APN 018-580-052) following discussions at the June 25, 2024, Council meeting. The Town of Truckee issued the RFIQ on October 16, 2024 and after interviewing three qualified firms, the Town selected the joint venture P|8 / Sagemodern as the developer/builder to partner with the Town of Truckee in developing the Edmunds Lofts project. On January 28, 2025, Town Council approved the selection of P|8 / Sagemodern and directed staff to prepare a development and disposition agreement (DDA) outlining the specific terms and conditions of the partnership. Although the Town has taken a public-private partnership approach for comprehensive planning projects such as the creation of the Truckee Railyard Master Plan, this is the first partnership opportunity for the creation of new workforce housing units. The development team and Town staff have worked together since the RFIQ selection process to understand opportunities, constraints and trade-offs, openly sharing thoughts on how best to serve community housing needs on a smaller project site (~0.32 ac). This has been an insightful process that will likely inform future improvements to Town processes and Development Code requirements.

In addition to considering opportunities, constraints and trade-offs, our partnership team (Town staff + P|8 / Sagemodern) has worked through and iterated the preliminary site and building design as well as the terms of the DDA. The DDA is necessary to convey the Town owned property to the developer/builder team in order to construct the project. The DDA also serves to memorialize mutual agreement about

project expectations. Clear expectations up front benefit the partnership by reducing the risk of potentially costly changes after the project is fully designed.

Background

As previously mentioned, the Council directed staff at the June 25, 2024, Council meeting to prepare and circulate an RFIQ to solicit qualified firms for the financial, design, and build analysis of the Edmunds Lofts workforce housing project. The introductory paragraph of the RFIQ stated the following:

The Town is interested in partnering with a design-build team for the development of multi-family affordable/workforce housing on parcel APN 018-580-052 (Project Site) with the goal of creating new deed-restricted dwelling units (DU) to support the local workforce. This is a unique public-private partnership opportunity to create new affordable housing in Truckee, which could potentially serve as a model for other similar residential sites in Truckee. The Town is interested in contributing the land and staff time at no cost in partnership with a builder/developer team to develop the housing project. The Town will also take the lead in processing the land use entitlement(s) at no cost to the builder/developer.

The RFIQ identified that the selected developer would be subject to a DDA, and that all the following requirements in the DDA are non-negotiable:

- The project shall consist of not less than eight (8) DU.
- By submitting a proposal, the builder/developer agrees to a deed-restriction capping the maximum number of DU as agreed upon by both the Town and builder/developer. The purpose of this restriction is to build a project that is compatible with the site and surrounding neighborhood as part of the design-build-entitlement process described in the RFIQ.
- Proposals shall include a minimum of two (2) unit types (e.g., Studio, one-bedroom) and a maximum of 1,200 sq. ft. of floor area per DU, excluding garages, carports, and shared habitable entry areas. The DUs shall be energy-efficient, all-electric units with provisions for rooftop solar panels.
- The development shall include a mix of affordability levels, including low, moderate, and achievable, with 25 percent of the residential units to be allocated to low-income households (up to 80% of Nevada County's area median income of AMI).
- Specific affordability levels and percentages will be agreed by the Town and the builder/developer in the DDA or another similar document. The Town will not consider allowing any unrestricted, market-rate DU to be constructed.
- The Town is primarily interested in projects that comply with the Development Code and do not rely on State Housing Density Bonus Law. The Town shall approve the final project density and number of DU prior to the contribution of the property (ownership transfer).
- The affordability requirements shall remain in place for a minimum of 55 years for rental housing and 55 years for ownership housing, with renewal upon sale of the DU, and shall be evidenced by a recorded deed restriction.
- The builder/developer shall demonstrate the ability to commence construction of the property no later than **July 1, 2026**, and shall thereafter proceed without interruption to complete the project no later than **September 1, 2027**, except for impacts due to weather or other Acts of Nature.
- The Town will have the right to reclaim the property if the selected bidder has not commenced construction of the first phase of the Project in a timely manner or that construction of a project thereafter ceases for any reason other than weather delays or other Acts of Nature for a period of 90 days or more once construction has commenced.

Analysis and Summary

Project Design for Council Consideration

The public-private partnership approach has allowed for open conversations about project opportunities, constraints, and trade-offs. The combination of a land use and zoning designation that allow for high density housing, application of the Town's Development Code, Public Improvement and Engineering Standards (PIES), and outside agency requirements can present project design challenges to more constrained sites such as the Edmunds parcel. The application of the Development Code, PIES, and outside agency requirements can limit buildable area, resulting in a "push and pull" effect related to project layout and design and satisfying all Town standards in concert with project viability. The preliminary design for Edmunds Lofts started with the mutual goal of constructing quality housing at a density that can be supported by the site. However, discussions about trade-offs between strict compliance with all Town standards and achieving a project with the desired number of dwelling units focused on methods to adjust Town standards while preserving life/safety and where flexibility could support a livable project. In Council's review of the preliminary project design and providing feedback to the partnership, staff recommends discussion of the following:

1. What is a higher Council priority for this site: more workforce housing units via a Planned Development (PD) zoning overlay or meeting all non-PD development standards?
2. Does Council support the creation of a 12-unit housing project via a PD that may not meet all non-PD development standards if all life/safety standards are met (i.e.-is development standard flexibility okay in order to maximize the number of units)?

Based on previous Council discussion and direction, staff and P|8 / Sagemodern have been working under the direction that maximizing units is a key priority for the Council. Working under this assumption, the Town will need to be flexible with application and analysis of the project subject to the Development Code and PIES. Instead, the focus can be on the health and safety standards for the most functionality on the site. Attachment 1 includes a list of where flexibility in the Development Code will likely be needed for a 12-unit project. It should be noted that the Objective Design Standards were evaluated based on preliminary designs and therefore, some details are still unknown, and are being presented in Attachment 1 for purposes of understanding how the design standards, particularly with smaller constrained sites, may present challenges for development of workforce housing. The Edmunds Loft partnership is a pilot partnership and learning opportunity. It is with this in mind that staff is presenting the challenges identified with the Objective Design Standards thus far. However, it should also be noted, as discussed later in the report, that the Development Code allows for a flexible path. Edmunds Lofts will be the first project to proceed under the Flexible Design Review path allowing for additional learning opportunities and pilot project element.

Planned Development:

P|8 / Sagemodern and Town staff have worked diligently on a project design and analysis relative to the Town's Development Code, and there are items related to the design for Council deliberation. To achieve the desired number of dwelling units (DUs) on the site, a Planned Development will be needed to allow for an adjustment to certain development standards. Pursuant to Development Code Section 18.78.020.A.1 (Use of Planned Development), "approval of a Planned Development may adjust or modify, where necessary and justifiable, all applicable development standards (e.g., development envelope, off-street parking, street layout, etc.)." During review of the preliminary plans, staff and the P|8 / Sagemodern have identified the following features that may require an adjustment from the Town's development standards through approval of a Planned Development:

- Setbacks – a reduction in the front, side, and rear yard setbacks

- Site Coverage and Open Space – a maximum of 50% site coverage is required in the Development Code; the Planned Development would permit exceeding this coverage requirement as well as a reduction in the open space requirements. The project site is approximately 420 ft. lineally from Meadow Park, which staff believes provides a quality, more usable, open space option and is reasonable to be consider in lieu of the open space requirement.
- Parking – preliminary plans indicate a shortfall of nine (9) parking spaces and spaces are proposed to be located outside of an individual garage; a Planned Development allows for a reduction to the number of parking spaces for the project and for surface parking spaces. Note that the conceptual plan includes fourteen (14) parking spaces equating to one space per unit plus two additional spaces. A concern with an under-parked project is that it would likely result in spillover parking into the public right-of-way, which could result in long-term operational challenges for the Town. P|8 / Sagemodern is planning to assign parking spaces to each unit to ensure one guaranteed parking spot per unit. The property will be managed by a professional property management company with the responsibility of managing tenant parking.
- Landscaping – a Planned Development may be permitted to deviate from landscaping standards identified in Development Code Section 18.40 (Landscaping), but there are likely alternatives to meet the intent of the requirements.
- Snow Storage – Based on the initial site layout, an offsite snow storage easement would likely be needed. P|8 / Sagemodern is currently working on a revised site plan that would reduce or eliminate this need. Regardless, snow storage requirements on small and constrained sites present a notable challenge.
- Stormwater – Based on the proposed site coverage, design of stormwater treatment facilities will propose challenges based on limited options available. Subsurface treatment facilities under the parking area or a drainage easement on the adjacent property are likely the only options.
- Drive Aisle Width – 24 foot wide minimum for ingress/egress within the parking spaces. At present P|8 / Sagemodern is working to meet this standard.

Chapter 18.78.040 of the Development Code outlines mandatory project features of a planned development. For approval of a planned development, the project must incorporate a minimum of one of the following features:

1. A minimum of 25 percent of the residential units within the project are affordable to households of very low, low or moderate income (See Chapter 18.214 for incentives provided for affordable housing development, including density bonuses and possible fee waivers); or
2. The project will achieve greater energy efficiency than standard developments through the incorporation of green building techniques, scoring at least a Gold rating or Neighborhood Development Certification on the Leadership in Energy and Environmental Design (LEED) or other equivalent rating system; or
3. The project will achieve a minimum of 30 percent greater energy efficiency than the minimum required by California Code of Regulations Title 24; or
4. The project will provide a substantial public amenity (e.g., a significant public plaza or park, or public trail) beyond that otherwise required by this Development Code.

The P|8 / Sagemodern is contemplating purchasing the land from the Town at fair market value, and subsequently deed restricting the units through the Deed Restriction for New Housing Development program administered through Sierra Business Council. Per the Deed Restriction for New Housing Development program guidelines, units are deed restricted at 180% AMI with rental cap at 120% AMI. The Development team is proposing to fulfill the public benefit requirement of Chapter 18.78.040 by offering to deed restrict 10 of the 12 units under this program, with the goal of occupying the units at the 120% AMI level. It should be noted that the remaining two (2) units are required to be deed restricted to

80% AMI per the Town's affordable housing requirements that 15% of the units be affordable. As currently proposed, these two (2) units would not be considered with the Deed Restriction for New Housing Development program, only the 10 units referenced above. To provide flexibility with uncertainty within the market and tariffs, the development team proposes that the deed restriction be amended to include a clause that would require the development team to market the units at 120% AMI and, only if the units could not be rented to qualifying tenants at the 120% AMI, after a set time period (i.e., 3 months) the developer could rent to qualifying tenants at the higher 180% AMI amount while still maintaining a rental cap at 120% AMI. This is a policy question for Council consideration and direction, if this options fulfills the community benefit requirements of Chapter 18.78.040 outlined above.

Another option the development team continues to explore is the ability to sell "credits" for the units to other projects requiring workforce housing. This is essentially a token like program, creating a market for other projects to purchase the workforce housing "credit" from Edmunds Loft. Under this scenario, the development team would deed restrict units "voluntarily", meaning they would not go through the Deed Restriction for New Housing Development program, but would be compensated by a third party for the rights to those deed restrictions. This idea is not fully vetted and would likely take time to work through details. However, the development team has asked to continue to explore this option. The purpose for keeping this option available is that the "credit" may generate more funds than the Deed Restriction for New Housing Development which would help offset rising costs.

There is also a scenario in which a combination of "credits" and deed restriction purchase through the "Deed Restriction for New Housing Development" units are created with this project. From staff's perspective, one of the leading goals of the Edmunds Loft project, consistent with previous Council direction, is to create deed restricted workforce housing units. Rather those deed restrictions derive from the Deed Restriction for New Housing Development program or through voluntary deed restrictions on behalf of the developer has not been a determining consideration for staff and is a policy question for Council consideration.

Flexible Design Review:

Preliminary discussion among the partnership team has identified that there are several areas where the project is not entirely consistent with Objective Design Standards (see Attachment 1). Development Code Section 18.25.030.B (Review Process, Flexible Design Review) identifies that projects may request Flexible Design Review if the design standards in Chapter 18.25 may not be entirely satisfied. Under Flexible Design Review, the project would be subject to the Design Guidelines identified in Development Code Section 18.24 (Design Guidelines). While a formal application will be required to determine if the flexible design path is viable, at this point, staff believes it is a viable option.

Edmunds Lofts will be the first project to request flexible design review process and another opportunity for the Town to better understand barriers to project development, trade-offs to facilitate housing development versus adherence to standards, and other avenues to achieve Town objectives.

It should be noted that while the project may not meet all non-PD development standards, staff and P|8 / Sagemodern have been working collaboratively on a project design that staff believes would satisfy or come close to satisfying the Objective Design Standards identified in Chapter 18.25 and would work within the framework of the flexible design review process with a Planned Development zoning overlay. The site functionality will not be optimized as defined under the Objective Design Standards but will meet safety standards and will have to comply with Town snow storage standards, stormwater drainage requirements, and other utility requirements.

The partnership team is ready to problem-solve remaining consistency issues on an expedited timeline with the goal of initiating construction prior to July 2026. It should be noted that P|8 / Sagemodern is hopeful to initiate construction in the fall of 2025 and staff is working to meet the development team's timeline to the extent possible. Identified issues being worked through include snow storage, stormwater

drainage, utility hook-ups and parking constraints. At this point, all parties believe there are solutions and paths forward for these outstanding items.

DDA Analysis and Project Summary

The DDA contains provisions regulating the conveyance of the Edmunds Lofts property from the Town of Truckee to P|8 / Sagemodern. P|8 / Sagemodern has proposed a 12-unit project comprised of six (6) studio units and six (6) one-bedroom units and is working with staff on the design and entitlement pathway for the project while negotiating the terms of the DDA.

In summary, the terms of the DDA are as follows:

1. The project shall consist of twelve (12) dwelling units (DUs).
2. The project shall consist of a minimum of two DU types (e.g., studio and one-bedroom) with a maximum of 1,200 sf. per DU, excluding carports and shared entry areas.
3. Dwelling units shall be energy-efficient, all-electric units with provisions for solar.
4. The development shall include a mix of affordability levels, including low, moderate, and achievable, with two of the twelve DUs (equal to 25% of the 8 required DU in the RFIQ) to be allocated to low-income households, defined as up to 80 percent of Nevada County's area median income (AMI).
5. The affordability requirements shall remain in place for a minimum of 55 years for rental housing and 55 years for ownership housing, with renewal upon sale of the DU, and shall be evidenced by a recorded deed restriction.
6. The builder/developer shall demonstrate the ability to commence construction of the project no later than **July 1, 2026**, and shall thereafter proceed without interruption to complete the project no later than **September 1, 2027**, except for impacts due to weather or other Acts of Nature.
7. The Town will have the right to reclaim the property if the selected bidder has not commenced construction of the first phase of the Project in a timely manner or that construction of a project thereafter ceases for any reason other than weather delays or other Acts of Nature for a period of 90 days or more once construction has commenced.

Additional terms beyond those in the RFIQ identified during the project design process include the following:

1. The project will use best efforts to include covered parking (carports) with a minimum of one space per unit. Note, feasibility of covered parking will be governed by a number of factors which are not currently resolved including 1) Engineering standards and requirements and the resulting drive aisle widths, setbacks, etc., 2) Project costs are expected to be as much as 25% higher than at the time of the RFIQ due to macro-economic factors (tariffs); 3) Structural design requirements are not yet defined and may impact both design and cost feasibility. Given that the property is no longer going to be donated but instead purchased at fair market value, the development team's desire would be to keep this requirement at "best efforts" vs. required to preserve maximum flexibility to achieve project viability given the cost headwinds that are building in the marketplace.
2. The project is to deed-restrict two (2) DUs to low-income households and the remaining ten (10) DUs at up to 180% AMI, with first right of occupancy with qualifying tenants at 120% AMI (as discussed in more detail above). Up to ten deed restrictions may be retained through the Deed Restriction for New Housing Development program or a combination of other programs, including voluntary deed restrictions on behalf of the development team combined with the use of a "credit" system. Staff notes the RFQI required that 25% of the project units be deed restricted at 80%

AMI, however at the time requested a minimum of 8 units, which would equate to 2 units. Per Council direction to maximize the number of units, the project proposes 12 units which would equate to 3 units deed restricted to 80% AMI. The development team is proposing the 2 units that were originally contemplated.

3. The project is to meet either the Town's Objective Design Standards or Flexible Design Guidelines at the discretion of the builder/developer.
4. The project anticipates a Planned Development (PD) approach to the site planning subject to meeting one of the four requisite PD qualifications as stipulated in Development Code Chapter 18.78 Planned Developments.
5. P|8 / Sagemodern plan to purchase the Edmunds Lofts parcel at fair market value from the Town based on the February 2024 appraised land value of \$255,000. Development team retains the option to request an updated appraisal in 2025 at the Buyer's expense.
6. Town agrees to coordinate and lead communications and community engagement for the project, in partnership with the development team, to include items such as community spotlight, project video, neighborhood outreach.
7. The Town will contribute staff time, permitting and entitlement costs as part of the public-private partnership with P|8 / Sagemodern, including Town fees related to planning review, building permit, and Town impact fees up to a two (2) percent cap of overall project costs, however, it does not include fees required by other public agencies external to the Town's jurisdiction (e.g., T-TSA, TDPUD, TFPD, etc.).

The DDA requires P|8 / Sagemodern to diligently construct the project in accordance with approved project plans, specifications, and conditions of approval through to certificate of completion. It is staff's opinion that the terms of the DDA are consistent with those identified in the RFIQ. The DDA provides assurances for the Town in realizing a housing development project on the subject property and identifies expectations for the developer/builder. Accordingly, staff requests that the Council authorize the Town Manager to enter into a DDA between P|8 / Sagemodern and the Town of Truckee with the identified points above.

Council Discussion:

1. What is a higher Council priority for this site: more workforce housing units via a Planned Development (PD) zoning overlay or meeting all non-PD development standards?
2. Does Council support the creation of a 12-unit housing project that may not meet all development standards if all life/safety standards are met (i.e.-is development standard flexibility okay in order to maximize the number of units)?
3. The RFIQ stated that 25% of units would be required to be affordable to 80% AMI and below, assuming a minimum of 8 units. Does Council support a structure that contemplates deed restricting two (2) units at 80% AMI and the remaining ten (10) units at up to 180% AMI with a 120% AMI rent cap?
4. If yes to question 3 above, does Council support the community benefit component of a planned development being achieved by deed restriction 10 units at 180% AMI but first right of occupancy be granted to qualifying tenants at 120% AMI. If units remain vacant due to lack of qualifying tenants within this range, developer can market units to higher AMI (180%) while still maintaining the 120% rental cap?
5. Is Council interested in providing additional flexibility given changing market conditions, such as a mix of deed restriction options to include use of the Deed Restriction for New Housing Development program and potential for voluntary deed restrictions combined with housing "credits" transaction between developer and third-party?

6. If there any further direction regarding parking, including number of spaces and best-efforts to achieve covered parking?
7. Is Council supportive of the deal points and direction of the DDA?

Priority:

<input type="checkbox"/> Enhanced Communication	<input type="checkbox"/> Climate and Greenhouse Gas Reduction	<input checked="" type="checkbox"/> Housing
<input type="checkbox"/> Infrastructure Investment	<input type="checkbox"/> Emergency and Wildfire Preparedness	<input type="checkbox"/> Core Service

Fiscal Impact: This work has been funded through the Planning Division's General Fund allocation and through Council-adopted CIP 2013 (Capital Improvement Program 2013), Housing Development on Town Land.

Public Communication: Standard agenda noticing.

Attachments:

1. Objective Design Standards Deviations
2. Preliminary Project Plans